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Yincheng Life Service CO., Ltd.

銀城生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1922)

CONTINUING CONNECTED TRANSACTION MASTER SUPPLY AGREEMENT

THE MASTER SUPPLY AGREEMENT

The Board is pleased to announce that, on 2 July 2020, the Company and Yuangu Ecological Agriculture entered into the Master Supply Agreement, pursuant to which Yuangu Ecological Agriculture has agreed to supply and deliver the Food Products to the Group from 2 July 2020 to 31 December 2022.

LISTING RULES IMPLICATIONS

Mr. Huang (the non-executive Director and a controlling shareholder of the Company) holds approximately 53.11% equity interests in Yincheng Real Estate, which in turn holds the entire equity interests in Yuangu Ecological Agriculture. As such, Yuangu Ecological Agriculture is a connected person of the Company and the entering into of the Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the highest Proposed Annual Cap under the Master Supply Agreement are higher than 0.1% but less than 5%, the Master Supply Agreement is subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

THE MASTER SUPPLY AGREEMENT

The Board is pleased to announce that, on 2 July 2020, the Company and Yuangu Ecological Agriculture entered into the Master Supply Agreement, the principal terms of which are as follows:

- Parties:**
- (a) the Company (for itself and on behalf of its subsidiaries); and
 - (b) Yuangu Ecological Agriculture (for itself and on behalf of its subsidiaries)

Term: Commencing from 2 July 2020 and ending on 31 December 2022, and is renewable upon expiry for further three years subject to consent of the parties to the Master Supply Agreement and compliance with all applicable Listing Rules requirements by the Company.

Subject matter: Yuangu Ecological Agriculture has agreed to supply and deliver the Food Products to the Group. Relevant parties shall enter into an agreement in respect of each Food Products supply and delivery transaction, the terms of which shall accord with, and shall not be in contradiction with, the principal terms as agreed in the Master Supply Agreement.

Pricing policy: The price for each and every supply and delivery of the Food Products shall be determined based on the principle of fairness and separately agreed by the Company and Yuangu Ecological Agriculture in accordance with the following principles:

- (a) the price offered to the Group shall not be less favourable than that offered by Yuangu Ecological Agriculture to other independent third parties with due regard to (i) the expected costs to be incurred by Yuangu Ecological Agriculture (including labour cost, raw material cost, transportation cost and storage cost); (ii) the delivery location(s); and (iii) the price offered by other independent third parties for products in similar nature and quantities; and
- (b) the aggregate prices payable by the Group for transaction(s) contemplated under the Master Supply Agreement on an annual basis shall not exceed the Proposed Annual Caps.

Termination:

The Master Supply Agreement shall be terminated under the following circumstances:

- (a) any one of the contractual parties ceases its business operation and is not able to perform its obligations under the Master Supply Agreement;
- (b) any one of the contractual parties has violated the laws and/or regulations of Hong Kong or the PRC and therefore has been ordered by relevant authorities or courts in Hong Kong or the PRC or other courts with jurisdiction to close for investigation or shut down, and thereby unable to perform its obligations under the Master Supply Agreement;
- (c) any one of the contractual parties has been declared bankrupt by the courts in Hong Kong or the PRC or other courts with jurisdiction;
- (d) any one of the contractual parties is not able to perform its obligations under the Master Supply Agreement due to act of God (such as natural disaster, disease and war) as defined under the Master Supply Agreement; and
- (e) Yuangu Ecological Agriculture is no longer a connected person of the Company.

PROPOSED ANNUAL CAPS AND BASIS

The table below sets out the Proposed Annual Caps for the price payable by the Company to Yuangu Ecological Agriculture for supplying and delivering the Food Products:

	From 2 July 2020 to 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Proposed Annual Caps	RMB4,500,000	RMB12,000,000	RMB16,000,000

The Food Products that may be procured by the Group under the Master Supply Agreement are expected to be used in the staff canteens in the non-residential properties managed by the Group. In determining the Proposed Annual Caps, the Company has taken into account the following factors:

- (a) the prevailing market price of the Food Products;
- (b) the expected demand of the Group on the Food Products during the term of the Master Supply Agreement determined based on the estimated number of customers in six to ten staff canteens currently operated and expected to be operated by the Group;

- (c) approximately two new staff canteens expected to be operated by the Group in non-residential properties managed by it in each of the years ending 31 December 2021 and 31 December 2022; and
- (d) the forecasted business growth of the catering business of the Group during the term of the Master Supply Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SUPPLY AGREEMENT

As disclosed in the announcement of the Company dated 12 March 2020, to further expand the scope of property management services to non-residential properties managed by the Group, the Group will strategically tap into the catering business by providing catering services to staff canteens in the non-residential properties managed by the Group, which is considered by the Board as a means to enhance the competitiveness of the Group in tendering for non-residential properties projects and thus strengthen the market position of the Group in the property management industry. The entering into of the Master Supply Agreement ensures stable and quality food supply delivered to various location(s) specified by the Group in a timely manner, which is important to the provision of catering services in the staff canteens operated by the Group in non-residential properties scattered in various locations in Nanjing. In addition, the price offered by Yuangu Ecological Agriculture will not be less favourable than those offered by other independent third parties to the Group for similar food products in similar quantities delivered to locations with similar distance.

As such, the Directors (including the independent non-executive Directors but excluding the Directors who abstained from voting in the Board, namely Mr. Huang, Mr. Xie, Mr. Ma and Mr. Zhu) consider that the terms of the Master Supply Agreement (including the Proposed Annual Caps) are fair and reasonable and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Internal control measures

The Group has adopted the following internal control measures to ensure that the price offered by Yuangu Ecological Agriculture for the supply and delivery of the Food Products is no less favourable than those offered by other independent third parties to the Group and the aggregate prices payable by the Company for the transactions contemplated under the Master Supply Agreement on an annual basis will not exceed the Proposed Annual Caps:

- (a) the procuring staff of the Company will review the price offered by Yuangu Ecological Agriculture on a bi-monthly basis by obtaining at least two price quotations from independent suppliers that are capable of providing and delivering food products in similar quantities. Based on the price quotations obtained from the independent suppliers, the Company is able to ensure that the price offered by Yuangu Ecological Agriculture is no less favourable than those offered by other independent third parties to the Group, is fair and reasonable and on normal commercial terms;
- (b) the management of the Company will keep track of the aggregate amount of purchases by the Company from Yuangu Ecological Agriculture for the supply and delivery of the Food Products by preparing a schedule on purchases by the Group from Yuangu Ecological Agriculture and report to the Board on a quarterly basis for the purpose of ensuring that the Proposed Annual Caps will not be exceeded;
- (c) the independent non-executive Directors will conduct annual review of the continuing connected transactions under the Master Supply Agreement to ensure that such transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole;
- (d) the Company will engage external auditors to conduct annual review of the continuing connected transactions under the Master Supply Agreement in accordance with the Listing Rules to check and confirm, among others, that the pricing policy has been adhered to and whether the Proposed Annual Caps have been exceeded; and
- (e) the Board will review the internal control measures adopted in relation to the Master Supply Agreement on an ongoing basis.

LISTING RULES IMPLICATIONS

Mr. Huang (the non-executive Director and a controlling shareholder of the Company) holds approximately 53.11% equity interests in Yincheng Real Estate, which in turn holds the entire equity interests in Yuangu Ecological Agriculture. As such, Yuangu Ecological Agriculture is a connected person of the Company and the entering into of the Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the highest Proposed Annual Cap under the Master Supply Agreement are higher than 0.1% but less than 5%, the Master Supply Agreement is subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

Mr. Huang indirectly controls Yuangu Ecological Agriculture through his equity interests in Yincheng Real Estate and he is also the director and chairman of Yincheng Real Estate; Mr. Xie (the non-executive Director of the Company) is also the director, executive president and shareholder of Yincheng Real Estate; Mr. Ma and Mr. Zhu, both being non-executive Director of the Company, are shareholders of Yincheng Real Estate. Accordingly, all Mr. Huang, Mr. Xie, Mr. Ma and Mr. Zhu have abstained from voting on the Board resolutions in connection with the Master Supply Agreement and the Proposed Annual Caps to avoid actual or perceived conflict of interests. Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the other Directors have material interest in the transactions contemplated under the Master Supply Agreement.

GENERAL INFORMATION ON THE PARTIES

The Company

The Company is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange. It is an established property management service provider in the PRC with over 20 years' industry experience in providing property management services and community value-added services. To further expand the scope of property management services to the non-residential properties managed by the Group, the Company established Nanjing Jiahe Catering Services Limited Company* (南京家禾餐飲服務有限公司) (an indirect wholly-owned subsidiary of the Company) in 2020 which is principally engaged in the provision of catering services to staff canteens in the non-residential properties managed by the Group.

Yuangu Ecological Agriculture

Yuangu Ecological Agriculture is a limited liability company incorporated in the PRC which is wholly-owned by Yincheng Real Estate (a company owned as to approximately 53.11% by Mr. Huang), and is principally engaged in the production and sale of agricultural products such as cereals, fruits and vegetables, poultry and livestock farming, sale of seasoning and dried food. Yuangu Ecological Agriculture sells its products under the brand "Yuangu Fresh"* (原穀生鮮).

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Board”	the board of Directors
“Company”	Yincheng Life Service CO., Ltd. (銀城生活服務有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“controlling shareholders”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Food Products”	the food products to be supplied and delivered by Yuangu Ecological Agriculture to the Company pursuant to the Master Supply Agreement, including vegetables, fruits, cereals, meat, seasoning and dried food such as dried meat, dried fruits, dried peas, dried herbals and dried seasoning, etc
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master supply agreement dated 2 July 2020 entered into between the Company and Yuangu Ecological Agriculture in relation to the supply and delivery of Food Products by Yuangu Ecological Agriculture to the Group
“Mr. Huang”	Mr. Huang Qingping (黃清平), the non-executive Director and a controlling shareholder of the Company as well as the director, chairman and controlling shareholder of Yincheng Real Estate
“Mr. Ma”	Mr. Ma Baohua (馬保華), the non-executive Director of the Company and a shareholder of Yincheng Real Estate
“Mr. Xie”	Mr. Xie Chenguang (謝晨光), the chairman and the non-executive Director of the Company, as well as the director, executive president and a shareholder of Yincheng Real Estate

“Mr. Zhu”	Mr. Zhu Li (朱力), the non-executive Director of the Company and a shareholder of Yincheng Real Estate
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	the proposed annual caps for the price payable by the Company to Yuangu Ecological Agriculture for the supply and delivery of Food Products pursuant to the Master Supply Agreement as set out in the section headed “Proposed Annual Caps and Basis” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yincheng Real Estate”	Yincheng Real Estate Group Co., Ltd.* (銀城地產集團股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability which holds the entire equity interests in Yuangu Ecological Agriculture
“Yuangu Ecological Agriculture”	Nanjing Yuangu Ecological Agriculture Co., Ltd* (南京原穀生態農業有限公司), a company incorporated under the laws of the PRC with limited liability
“%”	per cent.

By order of the Board
Yincheng Life Service CO., Ltd.
LI Chunling
Executive Director

Hong Kong, 2 July 2020

As at the date of this announcement, the executive Directors are Mr. Li Chunling and Ms. Huang Xuemei; the non-executive Directors are Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li; and the independent non-executive Directors are Mr. Chow Siu Hang, Mr. Li Yougen and Mr. Mao Ning.

* For identification purposes only